

Cal-Dale

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1973

ANNUAL REPORT

CALVERT-DALE ESTATES LIMITED

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Head Office and Greenhouses
12 Vodden Street
Brampton, Ontario
L6V 1M3, Canada

November 12, 1973

Dear Shareholder:

The year ended June 30, 1973 was an eventful one for your Company. The shareholders in June approved an agreement providing for the sale of the first block of land to a developer company, and the granting of an option on most of the Company's land in Brampton for development over a period of time. This agreement is referred to in more detail in note 2 to the financial statements.

1973 is the Centennial Year of the incorporation of the Town of Brampton, the home town of Calvert-Dale. The activity in Brampton reminds us that although Calvert-Dale was incorporated as a public company only twelve years ago, the operations of its predecessors reach much further into history. As a growing operation that started with 500 square feet of greenhouse in 1860, Calvert-Dale reached the apex of its growing area after the acquisition of the Calvert assets in 1965, with about 1,800,000 square feet. Some of the older greenhouses have become uneconomical to operate, and about 35% of the total greenhouse area will be phased out during the current fiscal year. Flowers will be purchased from other growers and the wholesale flower and florist supply divisions will continue to develop and expand.

OPERATIONS

Record dull weather in November and December, 1972 resulted in a scarcity of top quality blooms from our greenhouses for one third of the year. Because a large portion of our overhead is fixed, reduced production can only result in smaller profit. However, we were able to fill most of our customers' requirements throughout the year with product grown by others, notably purchases we made at the new flower auction in Malton, Ontario. A strong increase of 9% in sales of our florist supply division helped the Company reach record sales this year of \$7,615,704, an overall increase of more than 6% over last year.

Costs of distribution increased because of additional service to more customers during the year, and of course labour costs continue to rise. An additional cost in administration was incurred in the change-over from a unit record data processing system to a medium sized disc computer installed at our head office. Due to conversions of debentures and retirement of other long term debt, interest costs declined by about \$14,000.

Considering the adverse growing conditions during the year, the net profit of \$64,276 is encouraging.

SUBSEQUENT EVENT

On September 4, 1973, management consolidated the Toronto wholesale branch with the Brampton operation. This decision was made after a trial period this summer during which some of the Toronto customers were serviced from Brampton. Customers involved in the summer trial have expressed delight in the improvement that resulted. Their Cal-Dale representative had a much better assortment to pick from in the larger Brampton coolers, and of course, by removing the extra handling of the stock, Cal-Dale can promise better quality flowers. The improvement in Toronto area super highways in recent years has made better service possible directly from the Company's headquarters. John Dowling and his entire staff were relocated in Brampton.

PERSONNEL

We acknowledge with respect and appreciation the service as a director of Philip Latchman, who resigned during the year. Mr. Latchman has served our Company faithfully as a director for over a decade and as a member of the executive committee of the board for a good part of that time, serving as president of the Company in 1964.

We welcome new board member Jack Kaufman who is president of A. L. Randall Company. In light of his experience in the industry, I am sure Mr. Kaufman will be making a substantial contribution to the deliberations of your board.

The skill, loyalty and dedicated efforts of the Company's management and employees are largely responsible for the satisfactory operating results that are presented to you in this report. On your behalf, as well as my own, I am pleased to have this opportunity of thanking them publicly for their efforts.

Sincerely yours,

On behalf of the Board of Directors

A handwritten signature in dark ink, appearing to read "Roy A. Nicholson". The signature is stylized with a large, looped initial "R" and "N".

ROY A. NICHOLSON, President.

Clarkson, Gordon & Co.

Chartered Accountants

Royal Trust Tower
P.O. Box 251, Toronto-Dominion Centre
Toronto, Canada, M5K 1J7

St. John's Halifax Saint John Quebec Montreal
Ottawa Toronto Hamilton Kitchener London
Windsor Thunder Bay Winnipeg Regina Calgary
Edmonton Vancouver Victoria

Arthur Young, Clarkson, Gordon & Co.
United States—Brazil

Telephone 864-1234 (Area Code 416)

AUDITORS' REPORT

To the Shareholders of
Calvert-Dale Estates Limited:

We have examined the consolidated balance sheet of Calvert-Dale Estates Limited and its subsidiaries as at June 30, 1973 and the consolidated statements of income, deficit and source and application of cash for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these consolidated financial statements present fairly the financial position of the companies as at June 30, 1973 and the results of their operations and the source and application of their cash for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Clarkson, Gordon & Co.

Toronto, Canada,
September 10, 1973.

Chartered Accountants



Calvert-Dale Estates Limited
(Incorporated under the laws of Ontario)
and subsidiary companies

Consolidated Balance Sheet

June 30, 1973

	<u>A S S E T S</u>	
CURRENT:	1973	1972
Cash	\$ 2,515	\$ 2,560
Accounts receivable	854,275	879,505
Inventories of resale merchandise and production supplies valued at the lower of cost or net realizable value	865,813	796,200
Mortgages receivable (note 3)	137,075	411,433
Prepaid expenses	50,479	30,085
	<u>1,910,157</u>	<u>2,119,783</u>
FIXED, AT COST (note 2):		
Land	617,962	737,799
Buildings and leasehold improvements	1,323,469	1,362,018
Machinery and equipment	485,855	474,500
	2,427,286	2,574,317
Less accumulated depreciation	933,553	918,228
	1,493,733	1,656,089
Property pending sale, at net book value less deposits received of \$ 110,000	80,437	
	<u>1,574,170</u>	<u>1,656,089</u>
OTHER:		
Sundry deposits	32,311	34,249
Growing crops, patents and trade-marks	1	1
	<u>32,312</u>	<u>34,250</u>
	\$ <u>3,516,639</u>	\$ <u>3,810,122</u>

LIABILITIES

CURRENT:	1973	1972
Bank indebtedness (note 3)	\$ 1,070,930	\$ 1,054,722
Accounts payable and accrued charges	519,544	562,689
Sales and other taxes payable	34,274	39,866
Long term debt payments due within one year (note 3)	<u>205,167</u>	<u>459,681</u>
	<u>1,829,915</u>	<u>2,116,958</u>
LONG TERM DEBT (note 3)	<u>877,423</u>	<u>987,138</u>

SHAREHOLDERS' EQUITY

SHARE CAPITAL (note 4):		
Authorized - 2,000,000 shares without par value		
Issued - 1,010,134 shares (1972 - 956,531).	1,543,750	1,504,751
CONTRIBUTED SURPLUS	<u>7,500</u>	<u>7,500</u>
	1,551,250	1,512,251
DEFICIT	<u>741,949</u>	<u>806,225</u>
	<u>809,301</u>	<u>706,026</u>

On behalf of the Board:

R. A. NICHOLSON

Director

WALLACE R. PIERSON, JR.

Director

\$ 3,516,639 \$ 3,810,122

(see accompanying notes)

Cal-Dale Calvert-Dale Estates Limited

Consolidated Statement of Income

FOR THE YEAR ENDED JUNE 30, 1973

	<u>1973</u>	<u>1972</u>
Sales	\$ <u>7,615,704</u>	\$ <u>7,145,931</u>
Income before the following items	\$ 326,527	\$ 425,095
Interest earned	<u>47,975</u>	<u>49,018</u>
	<u>374,502</u>	<u>474,113</u>
Depreciation	125,908	115,885
Interest on long term debt	102,639	115,552
Other interest	<u>81,679</u>	<u>83,767</u>
	<u>310,226</u>	<u>315,204</u>
Operating income before income taxes and extraordinary items	64,276	158,909
Income taxes (note 5)	<u>33,000</u>	<u>74,800</u>
Income before extraordinary items	<u>31,276</u>	<u>84,109</u>
Extraordinary items:		
Profit on sale of real estate		113,232
Recovery of income taxes (note 5)	<u>33,000</u>	<u>74,800</u>
	<u>33,000</u>	<u>188,032</u>
Income for the year (note 6)	\$ <u>64,276</u>	\$ <u>272,141</u>

Consolidated Statement of Deficit

FOR THE YEAR ENDED JUNE 30, 1973

	<u>1973</u>	<u>1972</u>
Deficit, beginning of year	\$ 806,225	\$ 1,078,366
Income for the year	<u>64,276</u>	<u>272,141</u>
Deficit, end of year	\$ <u>741,949</u>	\$ <u>806,225</u>

(see accompanying notes)

Cal-Dale Calvert-Dale Estates Limited

Consolidated Statement of Source and Application of Cash

FOR THE YEAR ENDED JUNE 30, 1973

	<u>1973</u>	<u>1972</u>
SOURCE OF CASH:		
Operations -		
Operating income before income taxes and extraordinary items	\$ 64,276	\$ 158,909
Depreciation and other charges not requiring an outlay of cash	<u>137,747</u>	<u>151,200</u>
	202,023	310,109
Reduction in mortgages receivable	274,358	3,000
Deposit on pending sale of land	110,000	
Decrease (increase) in accounts receivable . .	15,220	(128,913)
Issue of 10% subordinated convertible debentures .		200,000
Proceeds on sale of real estate	<u>601,601</u>	<u>130,845</u>
		<u>515,041</u>
APPLICATION OF CASH:		
Payments of long term debt	325,230	235,867
Increase in inventories	69,613	116,539
Purchases of fixed assets (net)	153,989	68,812
Decrease in trade accounts and taxes payable .	48,737	36,959
Increase in prepaid expenses and other assets .	<u>20,240</u>	<u>15,360</u>
	<u>617,809</u>	<u>473,537</u>
Increase (decrease) in bank indebtedness . . .	16,208	(41,504)
Bank indebtedness, beginning of year . . .	<u>1,054,722</u>	<u>1,096,226</u>
Bank indebtedness, end of year	\$ <u>1,070,930</u>	\$ <u>1,054,722</u>

(see accompanying notes)

Notes to Consolidated Financial Statements

JUNE 30, 1973

1. BASIS OF CONSOLIDATION

The consolidated financial statements include the accounts of the company's subsidiaries which are inactive.

2. FIXED ASSETS

The company's recent review of the status of its properties has shown certain properties to be surplus to present needs, and that most of its remaining properties will also become surplus. As a result, the company has taken the actions described below:

- (a) In May 1973, the company entered into an agreement with Stradron Developments Limited to sell, provided building permits can be obtained by the purchaser and other conditions can be met, approximately 8½ acres of land which the company now considers surplus to its needs, for \$650,000 of which \$110,000 has been received on deposit.
- (b) On completion of the above-mentioned sale and as a condition thereof, the company will grant Calron Developments Limited (a company in which Calvert-Dale and Ronyx Corporation each will own 50% of the issued shares) an option to purchase most of the company's remaining lands. The option to purchase these lands in various parcels, according to a schedule provided by the company, will extend over a period of 15 years at the prevailing market price (as defined) at the time the options are exercised. The company has also agreed to provide 50% of the financing required by Calron either in cash or by guaranteeing debt of that company.
- (c) In connection with the foregoing, the company has also entered into an agreement with S. Eric Johnson Limited, under which that company will receive fees of 1½% of the sale price of the lands sold to Stradron and Calron. This agreement replaces a previous agreement under which S. Eric Johnson Limited was paid \$91,903 (including \$22,433 in 1973) in connection with the review of the company's land usage. These costs have been deferred and included with fixed assets.

3. LONG TERM DEBT and BANK INDEBTEDNESS

	<u>Original borrowing</u>	<u>Outstanding</u>	
		<u>1973</u>	<u>1972</u>
Mortgages:			
7½% due January 1, 1980 (a)	\$ 500,000	\$ 67,412	\$ 219,739
7½% due January 1, 1980 (a)	400,000	67,040	189,102
6% due January 1, 1975 payable \$50,000 annually	500,000	100,000	125,192
10% due December 15, 1976 payable \$212 monthly, principal and interest included	20,000	19,051	19,699
Convertible debentures: (b)			
7% subordinated debentures due October 1, 1974	150,000	-	4,000
10% subordinated debentures due December 1, 1976	200,000	165,000	200,000
7½% sinking fund debentures due December 15, 1976, annual sinking fund instalment of \$20,000	350,000	114,087	134,087
10% subordinated sinking fund debentures due October 1, 1979, annual sinking fund instalment of \$37,500 commencing October 1, 1974	300,000	300,000	300,000
6% notes payable, due June 30, 1973	50,000	-	5,000
Bank loan (c)	300,000	250,000	250,000
		<u>1,082,590</u>	<u>1,446,819</u>
 Less amounts due within one year,			
included with current liabilities		<u>205,167</u>	<u>459,681</u>
		<u>\$ 877,423</u>	<u>\$ 987,138</u>

(a) Mortgages -

Subsequent to the year-end, the mortgages due on January 1, 1980 were repaid with proceeds of the mortgages receivable.

(b) Debentures -

- (i) The 10% subordinated debentures due December 1, 1976 may be called for redemption at a premium of 4% until November 30, 1973 and thereafter at premiums declining annually by 1% until November 29, 1976 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.70 per share until November 30, 1976.
- (ii) The 7½% sinking fund debentures, which are secured by charges against the company's real property, may be called for redemption at a premium of 1½% until December 15, 1973 and thereafter at premiums declining annually by ½ of 1% until December 15, 1975 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$5.08 per share until December 14, 1976.
- (iii) The 10% subordinated sinking fund debentures due October 1, 1979 may be called for redemption at a premium of 7% until September 30, 1973 and thereafter at premiums declining annually by 1% until September 29, 1979 after which date they are redeemable at the principal amount. These debentures are convertible at the holder's option into shares of the company at \$0.90 per share until September 30, 1979.

The conversion rates of the debentures described above are subject to change on stipulated anniversary dates, should additional shares of the company be issued.

(c) Bank loan and bank indebtedness

The bank loan of \$250,000 and the bank indebtedness of \$1,070,930 are secured by a general assignment of book debts, crops pledged under Section 88 of the Bank Act, a floating charge debenture and a subordinated collateral mortgage on the company's real estate.

In addition, the bank holds a mortgage bond for \$250,000 that has been hypothecated with it as collateral security for the bank loan. Under certain circumstances the bank has the right to require repayment of this loan in advance of the due date, which has been extended to September 1974.

4. SHARE CAPITAL

During the year, the remaining \$4,000 of the 7% subordinated debentures were converted to 3,603 shares of the company at \$1.11 per share, and \$35,000 of the 10% subordinated debentures due December 1, 1976, were converted into 50,000 shares of the company at \$0.70 per share.

At June 30, 1973, 591,507 of the company's authorized but unissued shares are reserved for the possible conversion of the debentures outlined in note 3 (b) above.

5. INCOME TAXES

The company follows the tax allocation method of accounting for income taxes. There is no current liability for income taxes for the year ended June 30, 1973 as taxes of \$33,000 otherwise payable on 1973 operating income are offset by tax credits arising from the carry-forward of prior years' tax losses and depreciation charges not previously claimed for tax purposes. At June 30, 1973, the amount of prior years' depreciation charges recorded in the accounts but not claimed for income tax purposes was approximately \$790,000.

6. EARNINGS PER SHARE

	1973		1972	
	Income before extraordinary item	Income for year	Income before extraordinary items	Income for year
Earnings per share	\$0.03	\$0.07	\$0.09	\$0.28
Fully diluted earnings per share	\$0.03	\$0.06	\$0.07	\$0.20

The fully diluted earnings per share shows the effect on earnings per share had all the debentures (other than the 7% sinking fund debentures which are not dilutive) been converted into common shares at the beginning of the year.

7. LEASE COMMITMENTS

Under contractual obligations with respect to leased premises, the company is committed to aggregate annual rentals (without regard to reduction for related income) of approximately \$100,000 to 1975 and \$80,000 thereafter to 1986.

8. REMUNERATION OF DIRECTORS AND SENIOR OFFICERS

Remuneration of directors and senior officers (as defined under The Business Corporations Act, 1970) amounted to \$108,803 in the year, including \$2,025 paid as directors' fees.

Cal-Dale The Florist's World

BOARD OF DIRECTORS

- W. R. (Bill) Cooper, Vice-President of Exeacaire Ltd.
W. J. (Bill) Corrigan, Jr., Perishables Division Manager of the Company
Matthew Gaasenbeek, Director, Doherty McCuaig Limited
G. W. E. (Bud) Gordon, President of Halliday Homes Limited
Jack B. Kaufman, President of A. L. Randall Company
*Roy A. Nicholson, President of the Company
*Wallace R. Pierson, Jr., Consultant, Vice-President and General
Manager of the Company
*John C. Stradwick, Sr., President of Stradwick Investments Limited
*John C. Stradwick, Jr., President of Simcoe-Bay Group of Companies
*Arthur H. Zaldin, Q. C., Senior member of the legal firm of
Zaldin and Fine, Secretary of the Company

* Members of the Executive Committee

OTHER SENIOR OFFICERS AND MANAGERS

Leon E. Cowtan, Assistant Manager, Perishables Division
John W. Dowling, Assistant Manager, Perishables Division
Kenneth Letton, Manager, Retail Division
Manfred G. Mewes, Manager, Greenhouse Production
John Parsons, Manager, Ottawa Branch
Clarence H. Potter, Manager, Montreal Branch
George D. Stephens, C. A., Treasurer and Assistant General Manager
W. R. (Bill) Waters, Manager, Florist Supply Division

AUDITORS: Clarkson, Gordon & Co., Toronto
LEGAL COUNSEL: Zaldin and Fine
BANKER: The Toronto-Dominion Bank
REGISTRAR AND TRANSFER AGENT:
 Canada Permanent Trust Company, Toronto
LISTED on the Toronto Stock Exchange
LOCATIONS: Head Office and Greenhouses - Brampton, Ontario
 Wholesale Branches - Montreal and Ottawa

